ABSTRACT

Customers often have access to multiple payment methods for any given transaction. Currently the customer choice of payment methods is often arbitrary, since most merchants charge the same prices for all supported payment methods. In one embodiment of the invention, a merchant obtains multiple payment methods from a customer and sends information about the payment instruments to a transaction evaluator. Via computer networks, the transaction evaluator sends information about the transaction to the issuers of one or more of the payment methods. The issuers perform a cost/benefit analysis of the transactions and respond with a description of the terms under which they are willing to process the transaction. Based on the issuer response, the transaction evaluator selects one of the payment methods. The transaction is processed using the selected method. Accounting systems track payment information to ensure that each participant receives and pays the proper amounts for transactions, fees, rebates, etc. By enabling participating issuers to select favorable transactions and avoid unprofitable ones, the invention can thus improve issuer profitability by directing profitable transactions to participating issuers while directing unprofitable transactions away from participating issuers or to alternate transaction methods that are more profitable or less costly. A portion of this increased profit can be provided back to the merchant or customer in the form of discounts, rebates, or other incentives.